

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MOLOKAI PUBLIC UTILITIES, INC.)
For Review and Approval of Rate)
Increases, Revised Rate Schedules,)
and Revised Rules.)

DOCKET NO. 2009-0048

ORDER REGARDING COMPLETED
AMENDED APPLICATION AND OTHER INITIAL MATTERS

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PUBLIC UTILITIES
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ORDER REGARDING COMPLETED
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By this Order, the commission finds that: (1) the filing date of MOLOKAI PUBLIC UTILITIES, INC.'s ("MPU") complete application for a general rate increase, as amended, is June 29, 2009;¹ and (2) the Parties are instructed to submit a stipulated procedural order for the commission's review and consideration, consistent with the terms of this Order.²

I.

Background

MPU is a public utility that provides water service in the Kaluakoi area on the island of Molokai. MPU presently provides potable and non-potable water to the Kaluakoi Resort,

¹Amended Application; Exhibits MPU 1 to MPU 11; Exhibit MPU-T-100; Attachment 1; Verification; and Certificate of Service, filed on June 29, 2009 (collectively, "Amended Application").

²At this juncture of the proceeding, the Parties are MPU and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

Ke Nani Kai and Paniolo Hale Condominiums, Kaluakoi Villas, Papohaku Ranchlands, Moana Makini subdivisions, and County of Maui parks.

By its Amended Application, MPU seeks an increase in its revenues of \$886,259 (approximately 201.50 percent) over its present total revenue requirement of \$439,838.³ The requested increase is based on an estimated total revenue requirement of \$1,326,097 for the July 1, 2009 to June 30, 2010 test year ("Test Year"), and a rate of return of two percent.

MPU proposes to implement the approximate 201.50 percent increase in its overall total revenue requirement for the Test Year in the following manner: (1) increase the monthly water consumption charge from \$3.18 per thousand gallons ("TG"), i.e., the non-temporary charge approved by the Commission in July 2003, MPU's last rate case proceeding,⁴ to

³MPU initially filed its application on March 2, 2009. On April 2, 2009, the commission: (1) denied MPU's request to submit its unaudited financial statements in lieu of the audited financial statements required by HAR § 6-61-75(b); (2) dismissed MPU's application, without prejudice, as incomplete; and (3) instructed MPU to re-file an amended application in this proceeding that was supported by audited financial statements. Order Denying Molokai Public Utilities, Inc.'s Request to Submit its Unaudited Financial Statements in Lieu of Audited Financial Statements, filed on April 2, 2009. Thereafter, on June 29, 2009, MPU filed its Amended Application, which includes as an exhibit the independent audited financial statements for the 2008 calendar year period.

⁴In In re Molokai Public Util., Inc., Docket No. 02-0371 ("Docket No. 02-0371"), MPU's 2003 test year rate case, the commission approved various increases in MPU's rates and charges, effective from July 2003, including an increase in the monthly water consumption charge to \$3.18 per TG. See Docket No. 02-0371, Decision and Order No. 20342, filed on July 18, 2003; Order No. 20353, filed on July 24, 2003; and Order No. 20356, filed on July 31, 2003. Subsequently, in In re

\$9.6061 per TG, or approximately 202.2 percent; and (2) the monthly meter charge, monthly private fire protection rates, monthly water availability charge, and monthly bulk water sales charge, by approximately 202.2 percent each. MPU proposes to implement the increase in rates and charges as part of a two-step phase-in for the purpose of mitigating the impact upon its customers; specifically, MPU proposes to implement a partial increase upon the commission's approval of the proposed increase in rates and charges, with the remaining increase to take effect six months thereafter.

As part of its Amended Application, MPU also proposes to: (1) establish an Automatic Power Cost Adjustment Clause for its electricity expense; (2) establish a Purchased Fuel Adjustment Clause for the fuel component of its water costs; and (3) increase its deposit fee and reconnection fee by approximately 100 percent each.

In support of the requested increase in its rates and charges, MPU states that: (1) at present rates, it projects a Test Year net year operating loss of \$498,176, and a negative

Molokai Public Util., Inc., Wai'ola O Molokai, Inc., and Mosco, Inc., Docket No. 2008-0115 ("Docket No. 2008-0115"), the commission, on its own motion, approved a temporary increase in MPU's monthly water consumption charge, from \$3.18 per TG to \$6.04 per TG, effective from September 1, 2008 to February 28, 2009. Docket No. 2008-0115, Order Approving Temporary Rate Relief for Molokai Public Utilities, Inc. and Wai'ola O Molokai Inc., filed on August 14, 2008. The commission later extended MPU's temporary monthly water consumption charge of \$6.04 per TG until August 2009, or until the commission rules on MPU's recent application for a general rate increase, filed on March 2, 2009. Docket No. 2008-0115, Order Approving Extension of Temporary Rate Relief and Request for an Extension to File General Rate Case Applications, filed on February 24, 2009.

rate of return of 50.01 percent on its average depreciated rate base; and (2) its Application "is designed to eliminate these current ongoing losses and to allow [MPU] to earn a small return on its prudently incurred investments for utility assets providing service to its customers."⁵

II.

Discussion

As a public utility with annual gross revenues of less than \$2 million, MPU filed its Application pursuant to HAR § 6-61-88 (general rate increase application filed by a public utility with annual gross revenues of less than \$2 million) and HRS § 269-16, specifically subsection (f). In brief, the commission must make every effort to issue its proposed decision and order within six months from the filing date of MPU's complete Application, "provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene." HRS § 269-16(f)(3).

A.

Amended Application

On July 20, 2009, the Consumer Advocate timely filed its Statement of Position Regarding Completeness of Amended

⁵Amended Application, at 7.

Application, stating that it does not object to the completeness of MPU's Amended Application.⁶

To be considered a complete application for a general rate increase, the contents of MPU's Amended Application must meet the requirements set forth in HAR §§ 6-61-75, 6-61-86, and 6-61-88, unless otherwise waived by the commission pursuant to HAR § 6-61-92. Upon review, the commission finds that MPU's Amended Application complies with the noted requirements.⁷ Accordingly, the commission finds that: (1) MPU's Amended Application is complete and properly filed pursuant to HRS § 269-16(f) and HAR § 6-61-88; and (2) the filing date of MPU's complete Amended Application is June 29, 2009.

B.

Public Hearing

The commission will schedule a public hearing on MPU's completed Amended Application on the island of Molokai, consistent with HRS §§ 269-12(c) and 269-16(b). The Parties will be notified of the date, time, and location of the public hearing.

⁶Statement of Position Regarding Completeness of Amended Application; and Certificate of Service, filed on July 20, 2009 (collectively, "Statement of Position").

⁷Similar to the Consumer Advocate, the commission presumes that no dividends were paid by MPU during the preceding five calendar years. For this reason, MPU "has not included a statement as to the rate and amount of dividends paid during the five (5) preceding calendar years as required by HAR § 6-61-75(a)(7)." Statement of Position, at 3.

C.

Stipulated Procedural Order

HRS § 269-16(f)(3) states that the commission shall:

Make every effort to complete its deliberations and issue a proposed decision and order within six months from the date the public utility files a completed application with the commission; provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene. If a proposed decision and order is rendered after the six-month period, the commission shall report in writing the reasons therefor to the legislature within thirty days after rendering the proposed decision and order. Prior to the issuance of the commission's proposed decision and order, the parties shall not be entitled to a contested case hearing.

HRS § 269-16(f)(3).

Given the six-month target date governing the commission's issuance of its Proposed Decision and Order, the Parties shall: (1) initiate the discovery process forthwith; and (2) submit a stipulated procedural order for the commission's review and consideration. If the Parties are unable to agree on a stipulated procedural order, each of the parties shall submit its own proposed procedural order.

If no timely motions to intervene or participate are filed, the stipulated procedural order or individual proposals shall be due within seven days following the deadline to file any such motions to intervene or participate. Conversely, if one or more timely motions to intervene or participate are filed, the Parties and any designated intervenors or participants, if any, shall file their stipulated procedural order within ten days from the filing of the commission's decision on the motions to

intervene or participate. If no intervention is granted by the commission, the stipulated procedural order submitted by the Parties, at a minimum, shall provide that the final anticipated pleading (e.g., a settlement agreement on the merits in the normal course of a general rate case) be filed by November 3, 2009, in order for the commission to reasonably meet the six-month target date of December 29, 2009. If no agreement is reached on a stipulated procedural order that conforms to the foregoing parameters, the commission will issue its own procedural order.

III.

Orders

THE COMMISSION ORDERS:

1. The filing date of MPU's complete Amended Application is June 29, 2009.

2. The Parties shall: (A) initiate the discovery process forthwith; and (B) submit a stipulated procedural order for the commission's review and consideration. If the Parties are unable to agree on a stipulated procedural order, each of the parties shall submit its own proposed procedural order.

If no timely motions to intervene or participate are filed, the stipulated procedural order or individual proposals shall be due within seven days following the deadline to file any such motions to intervene or participate. Conversely, if one or more timely motions to intervene or participate are filed, the Parties and any designated intervenors or participants, if any,

shall file their stipulated procedural order within ten days from the filing of the commission's decision on the motions to intervene or participate. If no intervention is granted by the commission, the stipulated procedural order submitted by the Parties, at a minimum, shall provide that the final anticipated pleading be filed by November 3, 2009, in order for the commission to reasonably meet the six-month target date of December 29, 2009. If no agreement is reached on a stipulated procedural order that conforms to the foregoing parameters, the commission will issue its own procedural order.

DONE at Honolulu, Hawaii JUL 29 2009.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Carlito P. Caliboso
Carlito P. Caliboso, Chairman

APPROVED AS TO FORM:

Michael Azama
Michael Azama
Commission Counsel

By John E. Cole
John E. Cole, Commissioner

By Leslie H. Kondo
Leslie H. Kondo, Commissioner

2009-0048.laa

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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